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**No. 40**

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USSR REPORT  
INTERNATIONAL ECONOMIC RELATIONS

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## USSR-CEMA TRADE

### FOREIGN TRADE MINISTER OUTLINES PROGRESS

Moscow FOREIGN TRADE in English No 7, Jul 82 pp 2-6

[Article by N. S. Patolichev, minister of foreign trade: "The USSR--For Equal and Business Cooperation"]

[Text]

In 1982 the Soviet people will mark the 60th anniversary of the Union of Soviet Socialist Republics, an event of special historic significance. For the first time in human history equal nations and nationalities united freely into a single state, with the aim of realizing the age-long aspirations of workers and peasants to create a new social system free from exploitation.

Within a historically short period our country made a gigantic step from backwardness to progress. Through creating a powerful diversified socialist economy, the USSR became a great industrial power. The petty peasant economy reorganized along socialist lines is now a branch of the country's economy equipped with modern machinery. The USSR has moved to the forefront in science, technology and culture. Enormous socio-economic changes have been effected which ensure a steady rise in the living standard of all Soviet people. The numerous nations and ethnic groups have united into a close-knit family of peoples and formed an unparalleled state entity.

These successes would have been even greater if it were not for the attacks of external hostile forces on our country which took our people many long years to defeat and afterwards restore the war-ravaged economy.

The Soviet people had to overcome serious obstacles on the way of building the new society. Lenin said that the capitalists "threatened to surround the young socialist country with a barbed wire fence so as to prevent any economic relations with us whatever."<sup>1</sup>

<sup>1</sup> V.I. Lenin, *Collected Works*, Vol. 33, Moscow, 1966, pp. 151-152.

From the very first days after the October Revolution the Soviet state had to fight a civil war, unleashed by internal counterrevolution, and armed intervention. Attempts were made to strangle the young Soviet Republic by means of economic blockade. But those attempts failed too, for, as Lenin envisaged, "there is a force more powerful than the wishes, the will and the decisions of any of the governments or classes that are hostile to us. That force is world general economic relations, which compel them to make contact with us."<sup>2</sup> And that was confirmed by the subsequent normalization of trade relations between the capitalist countries and the Soviet Republic.

During the years of the Great Patriotic War the Soviet social system had its strength tested severely. Having routed the fascist hordes that had invaded the USSR our people not only upheld their own national independence, but also helped the peoples in the West European countries to discard the nazi yoke of oppression.

The entire history of the Soviet state is a convincing evidence that no military threat, economic blockade or various sanctions can hold back the growth of its economic might. These lessons, however, have not been learnt by all.

Today US ruling circles and some of their allies are pushing the world into a dangerous arms race, threatening a thermonuclear war and curtailing trade and economic relations with the Soviet Union and the other socialist countries. Sober-minded politicians in the West cannot but reckon with the fact that the aggressiveness of the US ruling circles is aimed not only against the socialist states but against the vital interests of these countries themselves. By involving its allies in the arms race the USA hopes to aggravate the economic difficulties in these countries and undermine their competitiveness on world markets.

In the present tense international situation the Soviet Union is making every effort to halt the arms race, prevent a nuclear conflict, strengthen detente and advance business cooperation between states with differing social systems. To further these aims the USSR has put forward concrete and constructive measures for the peaceful settlement of political disputes and for development of mutually advantageous cooperation. The struggle for the peaceful coexistence of countries with differing social systems is inseparably linked with efforts to strengthen equal business relations between states on a mutually beneficial basis. And this is not a short-

<sup>2</sup> V.I. Lenin. *Collected Works*, Vol. 33. Moscow, 1966, p. 155.

term but a consistent foreign policy course being steered by the Soviet state.

The first legal act of the victorious October Revolution was the Decree on Peace. Stemming from the very nature of our social system, in which there are no classes or forces interested in war, it has always been and is the absolute foundation of Soviet foreign policy.

In the tense international situation of today, too, we are full of historic optimism as to the possibility of preventing war and relieving mankind of the perilous arms race.

The best alternative to war is peaceful cooperation between countries with differing social systems in the fields of trade, industry, science, technology and culture. In this respect, too, the Soviet Union is pursuing a calm and consistent policy of peace despite the fact that aggressive circles go out of their way to increase international tension. Of course, peaceful cooperation will only be successful if the Western powers, despite American *diktat*, express their readiness for such cooperation. It is much easier to cut trade than restore it. And who gains if the Western countries cut this trade?

It would be naive to assume that sanctions on the sale of certain types of industrial equipment can put the Soviet Union in a hopeless position. With its powerful scientific and technical potential, the USSR can quite easily produce this equipment itself and then it will be the Western firms which will suffer the lack of Soviet orders.

Trade relations progress hand in hand with political ones. If politics develop normally and in the interest of mutual advantage and confidence between nations, then their role is positive, thus promoting interstate relations on the principles of peaceful coexistence.

From its very inception the Soviet state has followed a course towards mutually advantageous cooperation with other countries, based on new principles of real equality, non-interference in one another's domestic affairs, respect for national sovereignty, and rigorous fulfilment of assumed commitments.

Long before the Second World War the USSR found itself among the major partners of international trade. Soviet foreign trade grew and developed in close interconnection with the growth of our country's economic might. It helped implement important stages in the Soviet economy's development.

In the prewar period our foreign trade helped lay the foundation of the socialist economy, it ac-

celerated the rates of industrialization and raised the level of technical equipment of agriculture. A series of large industrial enterprises producing motor vehicles, machine tools, ball bearings, steel, rolled stock, farm machinery were built in the USSR with the participation of foreign firms.

The radical changes that have occurred after the Second World War have created new conditions for the development of Soviet foreign trade. The economic potential and international prestige of the Soviet Union have grown. A world socialist community has been formed. As a result of the breakdown of the colonial system, dozens of new free states which raised the banner of struggle for independence and social progress have appeared on the political map of the world. All this has provided new opportunities and prospects for the development of Soviet foreign trade, using equal and just forms of cooperation hitherto unknown in economic relations between countries.

Today the Soviet Union is a major trading power maintaining economic relations with nearly all countries in the world. Its trade turnover is steadily growing and in 1981 it reached 110,000 million rubles. The socialist countries are among the USSR's major trading partners and our interconnections embody a new, socialist type of international relations between sovereign, equal states united by common vital interests and aims. In 1981 the socialist countries accounted for 53 per cent of our foreign trade turnover, the CMEA members' share being over 47 per cent. On the basis of socialist economic integration the CMEA countries are making good progress in solving major economic problems. Today it would be difficult to imagine the socio-economic development of this or that socialist state without close ties with the other fraternal countries.

The Soviet Union's trade and economic ties with the developing countries of Asia, Africa and Latin America are growing. Last year they accounted for 15 per cent of Soviet foreign trade. Our economic cooperation with this group of states is an important factor in their struggle for economic independence and social progress, for restructuring international economic relations on a fair democratic basis.

A striking example of the benefits afforded by our business relations with these countries is provided by Soviet-Indian economic cooperation, which is developing on a long-term stable foundation. India today is one of the major industrial countries in the world. An important role in achieving this status belongs to her trade and economic ties with the Soviet Union. L.I. Brezhnev's visit to India in December 1980 was a significant event in the devel-

opment of friendship, trade and economic ties between our two countries.

The 1970s saw a sound base being laid for stable economic cooperation between the USSR and the West European countries. The positive experience of cooperation between the USSR and these countries accumulated over this period shows that different social systems are themselves not obstacles when exchanging achievements in the most varied spheres. Apart from the advantages of international division of labour, business cooperation between the USSR and the West European countries tended to create an atmosphere of mutual confidence, thus consolidating and strengthening peaceful interstate relations.

International detente helped place economic cooperation between the USSR and many West European countries on a large-scale and long-term basis. The agreements signed by the Soviet Union with these countries envisage ample opportunities for mutually beneficial cooperation in trade, industry, science and technology for long terms.

As the world entered the 1980s, however, forces hostile to detente set out to aggravate the international situation, launched an open attack on all forms of cooperation with the socialist countries, and embarked on the path of curtailing economic ties with the USSR.

History shows that such attempts to put pressure on the Soviet Union have more than once recoiled on their authors, thus confirming Lenin's words: "As for the blockade, experience has shown that it is an open question as to who suffers from it most, the blockaded or the blockaders".<sup>1</sup> At the same time, naturally, actions of this type cannot but impair the atmosphere of cooperation and impede the normal development of business relations. As a result, the volume of our trade with some of these countries has declined.

We are well aware that realistically-minded business quarters in most Western countries do not approve of the attempts to undermine confidence in cooperation with the Soviet Union and the other socialist countries.

Our economic relations with Finland are developing steadily and harmoniously, thus serving as an example of the successful application of the mechanism of division of labour between countries with different social systems. They have a sound legal basis—the Treaty of Friendship, Cooperation and

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<sup>1</sup> V.I. Lenin, *Collected Works*, Vol. 33, Moscow 1966, p. 152

### Mutual Assistance of 1948.

Good neighbourly relations, the constructive and realistic position of the Finnish Government, the atmosphere of mutual trust, all help create successful business ties and broad vistas for mutually advantageous cooperation between the USSR and Finland in the 1980s.

In 1981 Soviet-Finnish trade reached 5,000 million rubles. Despite the fact that Finland is a "small" capitalist country, it ranks second among the USSR's West European trading partners in the volume of trade. In 1977 the USSR and Finland signed a Long-term Programme for the Development and Deepening of Trade, Economic, Industrial, Scientific and Technical Cooperation up to 1990 containing concrete spheres of mutual interest.

Implementation of interstate accords and identification of new possibilities for cooperation are being greatly facilitated by the permanent intergovernmental Soviet-Finnish Commission on economic cooperation, which, according to both sides, has become an organizing and coordinating centre for the entire complex of various mutually advantageous economic ties between the USSR and Finland.

Good progress has been achieved in our relations with the Federal Republic of Germany; our trade with it in 1981 reached 6,000 million rubles; the FRG ranks first among our trading partners from the industrially developed capitalist countries.

The Moscow Treaty of 1970 is a historical landmark in the relations between the USSR and the FRG; it has opened a new page in these relations. Its signing and subsequent summit meetings helped conclude a series of agreements on economic co-operation. The most important among them is the Agreement on the development and deepening of long-term cooperation between the USSR and the FRG in the economic and industrial fields, signed by Leonid Brezhnev and Helmut Schmidt in May 1978, for a period of 25 years. During the visit of the Federal Chancellor, H. Schmidt to Moscow in July 1980 the parties worked out and approved a Long-term Programme outlining the main directions for cooperation between the USSR and the FRG in the economic and industrial fields. This Programme is a weighty contribution to the mutual economic ties between the two countries: it finalized the most promising and realistic objects of cooperation.

The Programme provides for the construction, expansion and modernization of industrial enterprises, and for cooperation in developing and manufacturing equipment, extracting and processing individual types of raw material, in power engineer-

ing and other industries.

The visit of L.I. Brezhnev to Bonn in November last gave fresh impetus to cooperation between the USSR and the FRG. Prior to the visit the parties signed a number of contracts connected with the construction of the Western Siberia-USSR western frontier gas pipeline, an important beginning in the solution of Europe's energy problems.

These contracts are evidence of the FRG's realistic position on questions of cooperation with the Soviet Union. Experience has demonstrated to West German business circles that it pays to trade with the Soviet Union, and that this trade not only helps solve the constantly acute problem of sales and the procurement of goods necessary for the economy, but also helps load the country's productive capacities, thus easing the unemployment problem.

Business cooperation between the USSR and France in numerous fields has a sound legal basis. The parties are fulfilling with success their inter-governmental agreements and accords on questions of their trade and economic cooperation. Over the 1975-1979 period alone the volume of Soviet-French trade, as planned, trebled. For 1980-1985, the period of their current agreement on economic cooperation, the parties decided to maintain the present growth rates of their mutual trade. This will in no small measure be facilitated by the growing participation of French firms in shipments of equipment for gas extraction and transportation. In 1981 France ranked third among the Soviet Union's industrially developed capitalist trading partners (4,200 million rubles). At present the USSR and France are active in carrying out the Long-term Programme for deepening economic, industrial and technical co-operation, for the period up to 1990. Their agreements on cooperation in such fields, for instance, as power engineering, agriculture, transport and the chemical industry are of great importance for furthering their mutually advantageous business contacts.

Early in 1982 a contract with the Gas de France company on annual shipments of additional 8,000 million cubic metres of Soviet gas over a 25-year period was signed. For their part, French firms have undertaken to supply the USSR with equipment for automatic control and communication systems, as well as other equipment, for a gas pipeline now under construction.

Italy is a traditionally big trading partner of the Soviet Union, and quite appreciable positive experience has been gained in our relations with that country. Soviet-Italian trade and economic ties are

long-term and large-scale in character. This is confirmed by such an important object of cooperation as the car factory in the town of Togliatti, which was built in cooperation with the FIAT firm. Italian firms have filled big orders for a series of chemical works constructed in the Soviet Union.

The documents of the 12th session of the inter-governmental joint Soviet-Italian Commission, which was held in March 1981 in Rome, show the mutual desire of the parties to continue their efforts to further cooperation between the two countries.

In 1981 the volume of Soviet-Italian trade amounted to 3,500 million rubles. A number of big contracts were signed, including the transaction with Nuovo Pignone for the shipment of 19 gas-pumping stations to the USSR.

The presidents of the major Italian concerns ENI and Montedison, who visited Moscow in 1981 positively assessed the prospects of cooperation with the USSR. Their assessment is based on the contracts already signed as well as on new possibilities opening up in the 1980s, in particular, the possibility of Italian firms' participation in shipping equipment for the new USSR-Western Europe gas pipeline.

The Soviet people are meeting the 60th anniversary of the foundation of the USSR with new achievements in all spheres of public life, sparing no effort to carry out the programme elaborated by the 26th CPSU Congress. In an uneasy and dangerous situation in the world today our country, guided by the tested Leninist policy line, is working hard to eliminate the danger of war and strengthen peace on earth. The Peace Programme of the 1980s, worked out by the 26th CPSU Congress and supplemented with L.I. Brezhnev's new initiatives show realistic constructive ways of minimizing the threat of war, re-establishing international detente, and promoting broad cooperation between states with differing social systems. "Peace and broad international co-operation", L.I. Brezhnev noted, "is a vital necessity for all nations of our planet. Mankind's creative endeavour and its movement along the path of progress are possible only in conditions of peace."<sup>6</sup>

Business cooperation between nations, which strengthens confidence and mutual understanding between them, can and must play an important role in attaining these noble, human aims. And it is our duty, the duty of businessmen, to make every effort to help achieve this aim, which is the innermost desire of the whole of mankind.

<sup>6</sup> *Kommunist*, No. 4, Moscow, 1982, p. 16.

## USSR-CEMA TRADE

### CEMA COOPERATION IN ENERGY OUTLINED

Moscow SOTSIALISTICHESKAYA INDUSTRIYA in Russian 1 May 82 p 2

[Article by N. Lopatin, deputy USSR minister of power and electrification: "The Energy of Friendship"]

[Text] The fourth power unit was started up at the Kozloduy Atomic Electric Power Plant in the People's Republic of Bulgaria at the end of April.... Start-up and adjustment work is being completed on the first unit of the (Paksh) AES in the Hungarian People's Republic.... These plants in the fraternal socialist nations were built with the technical assistance of specialists from the Soviet Union, Czechoslovakia, the GDR and Poland. The reactor for the Paksh AES, developed by designers and engineers from our country, was built at a plant of the Shkoda Association in the CSSR. The biological shield for the plant was built at Bulgarian enterprises. Soviet technologists, metallurgists and metal physicists worked hand in hand with their foreign colleagues at these plants.

Is this not a brilliant new example of productive collaboration among scientists, designers and workers of the socialist countries, of international solidarity of the workers!? Loyal to proletarian internationalism, Soviet power engineers have always devoted a great deal of attention to the development of the fraternal states' electric power engineering base, based on the principles of equality and mutual benefit.

Power engineering is perhaps the most international sector of any state's economy. Its output--electric and thermal energy--is universal. Electric energy can be produced in one country and instantaneously used in another, thousands of kilometers away from the site where it was produced. This quality of electric energy is conducive to the priority integration of power engineering sectors within the framework of international economic communities.

Business, scientific and technological and production ties among power engineers of the socialist countries, which are developing under the guidance of the Permanent CEMA Commission on Power Engineering, are growing stronger by the year. Representatives of Bulgaria, Hungary, Vietnam, the GDR, Cuba, Mongolia, Poland, Rumania, the USSR and Czechoslovakia, as well as Yugoslavia, are taking an active part in its functioning. The coordination of national plans for the development

of power engineering and the unification of the national energy systems constitute an extremely important area in the multilateral collaboration.

The European "Mir" system already exists. It is a powerful demonstration of the advantages of socialist integration and the largest energy association on the planet, with a capacity of more than 300 million kilowatts. A dispatcher's control station located in beautiful Prague is the heart of the system. The main artery, however, which links the Soviet Union and the fraternal socialist countries together with energy, is the 750,000-volt Vinnitsa-Albertirsa (Hungary) electric-power transmission line. The annual exchange of electric energy among the states now amounts to 31.7 million kilowatt-hours. It has increased more than 19-fold during the past 20 years and will double again by 1986. There will soon be a new channel for the mutual overcurrent from the capacities--the LET-750 from the Khmel'nitskaya Atomic Electric Power Plant under construction to the Rzeszow Substation in the Polish People's Republic. A multilateral agreement has been prepared on the construction of yet another line, over which energy will travel from the Yuzhno-Ukrainskaya AES to Romania and Bulgaria.

A long-range, special-purpose program for cooperation among the CEMA countries in the field of energy, fuel and raw materials and a general plan for the development of associated energy systems for the period extending to 1990 have been defined on the basis of experience with the "Mir" system. The program calls for a maximum involvement of national natural resources in the economic turnover. This involves primarily solid fuels, more complete utilization of the hydroelectric power capacity and the adoption of less energy-consuming technological processes.

And so, we will have to build several large thermal electric power plants in Bulgaria, Hungary, the GDR and Poland, which utilize low-calory local fuel such as lignite. The USSR's accumulated experience with the effective industrial burning of brown coal and slate proved to be very valuable during the construction of the Maritsa-Vostok TES and the Sofiya Heat and Power Plant in Bulgaria, the Tierbach and Bocksberg heat and power plants in the GDR, and the Lukovac and Kostolac in Yugoslavia.

The Soviet Union has always been out front in matters pertaining to the peaceful atom. Nuclear plants--the plants of the future--will become extremely important sources of electric power, both in our country and in all the states of the socialist commonwealth. This fact is reflected in the special program for development of atomic engineering in the CEMA countries for the period extending to 1990. An agreement has been signed on multilateral, international specialization and cooperation in production and in reciprocal deliveries of equipment for atomic electric power plants for the period 1981-1990. The international Interatomelktrro Association is participating in the implementation of this program as well as in the organization of reciprocal deliveries of equipment for standardized 440- and 1000-megawatt units for atomic electric power plants.

These tasks are unquestionably within the capability of the international community of power engineerings, however. In addition to the above-mentioned plant

in Bulgaria, for example, the Nord Atomic Electric Power Plant in the German Democratic Republic and the Bogunice in Czechoslovakia are already producing industrial current. New nuclear electric power plants are under construction in the CSSR and in Cuba. Preparatory work is under way for such plants in other countries. Many CEMA states are taking an active part in the delivery of construction and production-process equipment for these projects. A shock-labor group of Polish construction workers are at work at sites of the Khmel'nitskaya AES.

With their joint, intensive work power engineers of the fraternal countries are successfully resolving many difficult production, technical, technological and organizational matters. Cooperation is intensifying in the field of scientific research and experimental design work. At the present time, for example, scientists, engineers and specialists of Teploelektroproyekt [All-Union State Institute for the Planning of Electrical Equipment for Heat Engineering Structures], the All-Union Heat Engineering Institute imeni F. E. Dzerzhinskiy and the TsNIIKA [State All-Union Central Scientific Research Institute of Complex Automation?] are working with colleagues from scientific research institutes of Bulgaria, Hungary, the GDR, Poland and Czechoslovakia to develop new models of equipment.

The international ties of Soviet power engineers stretch far beyond the borders of Europe. Productive cooperation has been organized with other CEMA members--the Mongolian People's Republic, the Socialist Republic of Vietnam and the Republic of Cuba.

And so, the united energy system of Siberia and Mongolia's central energy system, the nucleus of which are formed by several heat and electric power plants built with the assistance of Soviet specialists, now form a single integrated system. The Mongolian People's Republic is now linked by energy with the European socialist countries through the territory of the Soviet Union.

The northern part of socialist Vietnam now has its own energy system. Its base points are a heat and electric power plant in (Uongbi) and a hydroelectric power plant in (Tkhakba). The (Falay) TES and the Hoa Binh GES, the largest in Southeast Asia with a capacity of 1,920 megawatts will soon go into operation.

Cuba's energy supply has been considerably improved, thanks to the fraternal assistance of the CEMA countries. It now has a modern energy system with a voltage of 220 kilovolts, which embraces the entire Island of Freedom. The situation will become even better with the start-up of an atomic electric power plant.

Soviet specialists are justifiably called the leaders in the international community of power engineers of the socialist countries. The Soviet power engineering school enjoys enormous prestige throughout the world.

We are constantly helping our foreign friends to resolve such key matters as the planning of the development of electrification, engineer research and the planning of modern facilities. The Soviet Union ships abroad main and auxiliary equipment in combination with automation, control and electrical protective

systems. Our scientific research, planning and design organizations carry out projects for the CEMA members.

Today, thousands of Soviet power engineers—surveyors, designers, installers and electricians, adjusters and operators—are spending International Solidarity of Workers Day far from the homeland. Worthy representatives of the most peace-loving nation, they carry with them the fraternal concepts of internationalism and the energy, light and warmth of friendship.

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USSR-CEMA TRADE

SPECIALIZATION, COOPERATION BETWEEN CEMA, SFRY

Kiev EKONOMIKA SOVETSKOY UKRAINY in Russian No 3, Mar 82 pp 73-77

[Article by V. Danilenko: "Redevelopment of Production Specialization and Cooperation Between the SFRY and the CEMA Nations"]

[Text] An extremely important feature of the contemporary stage of economic development in the socialist nations was the increased role of their foreign economic relations and their extensive involvement in international socialist division of labor. This area of economic work is at the focus of attention of the communist and workers' parties in the socialist nations, which have adopted a course of systematic implementation of socialist economic integration and the development of all round cooperation among the fraternal parties and countries. The 26th Congress of the Communist Party of the Soviet Union placed especially strong emphasis upon the historic achievements of the CEMA states, as the most dynamically developing group of countries in the world, and indicated ways to further improve cooperation within the CEMA framework.

The successes achieved by nations of the socialist commonwealth in economic integration, the experience they have accumulated in the conduct of the new type of international economic relations and the principles, forms and methods by which CEMA functions, tested by time, are having an increasing effect upon the worldwide division of labor and upon international economic relations as a whole. The contemporary society's productive forces have achieved a level at which further progress can only be achieved through the internationalization of production, and therefore not a single country in the world today is capable of resolving all its economic development problems by itself. "...All of mankind's economic, political and spiritual life," wrote V. I. Lenin, "has been increasingly internationalized even under capitalism. Socialism will internationalize it entirely."<sup>1</sup>

The study of various aspects of CEMA's interaction with other international organizations and with nations which are not members of CEMA is of great practical and scientific interest from this standpoint. Cooperation between the CEMA countries and the Socialist Federal Republic of Yugoslavia, as an example, has become extensive and multifaceted. It is based on the fact that they have a common social and economic structure, that their basic interests and the objectives of their social development coincide and that they are engaged in a joint struggle for peace, independence and international cooperation based on equality. Mutually

complimentary functioning of their economies, their geographic closeness, the structure of their commodity turnover and its proportions and the enormous economic, scientific and technological potential of the socialist nations are no less important as preconditions for close cooperation.

The flexible and effective mechanism for the establishment of multilateral relations with the CEMA nations developed out of the Agreement On the SFRY's Participation in the Activities of CEMA Agencies. Its basic principles are total equality, respect for sovereignty and national interests and mutual advantage. When the Agreement was signed in 1964 the mutual interest and cooperation was manifested in 7 sectors of the economy, whereas there are now 23. Yugoslav representatives have become involved in the implementation of a number of undertakings covered by the Comprehensive Program of Socialist Economic Integration and are participants in certain international economic associations of the CEMA nations, including Intermetall, Interatomenergo, Interelektr, Intertekstil'mash, Interkhim and others. Yugoslavia's economic agencies also have contractual links with the International Investment Bank and the International Bank for Economic Cooperation. This has expanded the range of application of the CEMA states' common currency and is contributing to the intensification of mutually advantageous economic cooperation among the socialist nations. At regular meetings of sessions of the Council for Economic Mutual Assistance, Yugoslav representatives have announced the SFRY's willingness to take part in the implementation of many plans for long-range, special-purpose programs, which determine the coordinated strategy of economic cooperation among the CEMA nations in the accomplishment of national economic tasks toward the periods extending to 1990 and to the year 2000.

The CEMA nations are Yugoslavia's most important partners. They accounted for 36.2 percent of the SFRY's total foreign trade in 1980.<sup>2</sup> A large portion of the Yugoslav economy's needs for coking coal, asbestos, synthetic rubber, petroleum and potassium fertilizer is met with imports from the European CEMA nations. And around half of Yugoslav exports of machinery, chemical products, rolled ferrous metal and consumer goods is sent to the CEMA countries. The Soviet Union, which has a leading place in Yugoslavia's foreign economic relations, accounted for 27.7 percent of Yugoslavia's total exports in 1980, and 17.9 percent of its imports.<sup>3</sup> The volume of trade between the USSR and the SFRY reached a record level of 12.5 billion rubles during the years of the 10th Five-Year Plan.<sup>4</sup>

Production specialization and cooperation is perhaps one of the most modern and promising forms of international division of labor. It helps to concentrate financial and labor resources, to increase production effectiveness and to improve the structure and to intensify the exchange of machinery, equipment, raw and processed materials. Production specialization and cooperation between the SFRY and the CEMA countries is developing on a bilateral and a multilateral basis and has a direct effect upon the vitality and the structure of their reciprocal trade turnover.

The first steps in the development of new forms of cooperation were taken at the end of the 1950's and the beginning of the '60's. More than 60 specially formed groups of experts studied prospects for the development of production specialization and cooperation between the SFRY and the CEMA countries. In subsequent years

more than 80 agreements were concluded in this area on a bilateral basis, which contributed to the more complete and efficient utilization of the socialist nations' production potential and to the stable and mutually advantageous expansion of their economic relations.<sup>5</sup>

The adoption at the 25th session of the Council for Economic Mutual Assistance of the Comprehensive Program for Continued Intensification and Improvement of Cooperation and the Development of Socialist Economic Integration Among the CEMA Nations in July of 1971 represented a new stage in the vital activities of the socialist nations. Implementation of the basic principles contained in the program not only raised the level of paternal interrelations among socialist commonwealth nations, but also provided a powerful stimulus to the intensification of their foreign economic relations and of various forms of international socialist division of labor. Yugoslav economic circles noted, among other things, that the program had created all the necessary preconditions for production cooperation and specialization in machine building, ferrous and nonferrous metallurgy, the motor vehicle and other branches of industry, in the accelerated development of which the SFRY is interested. At the 10th and 11th Congresses Yugoslavia's League of Communists stressed the enormous importance of economic cooperation with the developing socialist nations, which needs to be enhanced with new forms.

Production cooperation between Yugoslavia and the CEMA nations in the 1970's was characterized by a transition from the simple distribution of a list of raw materials, machinery and equipment delivered on a reciprocating basis to the coordination of quantitative and qualitative indices for commodity deliveries, from specialization by item to specialization in the production of individual assemblies and parts, combining the latter with an exchange of finished products. Cooperation in scientific research projects and the application of the results in production, with the subsequent realization of joint production, has become a notable feature of the socialist economy's dynamic functioning. Analyzing the changes occurring in the SFRY's foreign economic and scientific and technological ties, the Yugoslav economists note: "The classic purchasing of licenses, information and equipment is gradually, but to an increasing degree, being replaced by complex and useful forms of transfer of foreign technology, information and know-how through collaboration with respect to production technology, cooperation and joint investments...."<sup>6</sup>

Let us discuss in detail the main areas of production specialization and cooperation between the SFRY and the CEMA nations. In recent years the preparation of agreements on cooperation with most of the countries has been conducted through joint bank consortiums, within which special funds for the crediting of mutual deliveries of machinery and equipment have been created. Intergovernmental committees for economic and scientific and technological cooperation between Yugoslavia and the CEMA nations are playing a large role in the organization of long-range industrial cooperation.

Organizationally, Soviet-Yugoslav industrial cooperation was started in February of 1969 with the signing of an agreement on cooperation between enterprises of Srvena Zastava and the Volga motor vehicle plant. At that time Yugoslavia assessed the agreement in the following manner: "We are beginning production on a

serious, worldwide scale, and we must therefore have completely modern technology which should in no way differ from the technology employed by the large, even the largest, producers of motor vehicles. We are entering into a new technology, on a new scale and with new methods of operation...." During the period 1969-1980 Yugoslav enterprises supplied the USSR with as many as 33 different batching assemblies and parts for the Zhiguli motor vehicles. This included batteries, steering wheels, mirrors, radiator linings, gas shock absorbers and so forth. During this time the Soviet Union shipped more than 100,000 passenger cars to Yugoslavia on a cooperative basis.

Cooperation in the manufacture of motor vehicles between the USSR and the SFRY is steadily increasing. Reciprocal deliveries for the period 1976-1980 exceeded the level for the preceding five-year period by 150 percent, and the volume will double during the 1981-85 period, reaching at least 500 million dollars.<sup>7</sup> A document was signed in April of 1981, which extended the effective period for the agreement on long-term collaboration and cooperation in the production of passenger cars and components. The involvement of the Kama Motor Vehicle Plant in this type of cooperation was a very important development. Since 1976 Yugoslav enterprises have been cooperatin with this giant of the motor vehicle industry on the Kama. The recent signing of an agreement between the Soviet Avtoeksport and the Yugoslav enterprises Progress and Utva calls for the Yugoslav plants to deliver certain assemblies and parts for Kamas [Kama Motor Vehicle Plant] trucks in exchange for the finished product.<sup>8</sup> And so, this collaboration has been placed on a long-term, planned basis during the current five-year period for the first time and has assumed the form of cooperation.

Industrial cooperation between the USSR and the SFRY continues to develop in the area of machine-tool building, the chemical industry and the production of equipment for atomic electric power plants. Such large enterprises as Djuro Djakovic, Eneroinvest, Jugoturbina, Litostroj and Metalna are participating in the manufacture of equipment for Soviet atomic electric power plants. During the period 1976-1980 contracts were concluded for delivery to the USSR of more than 260 million dollars worth of equipment for atomic electric power plants. This includes diesel generator units, steam traps, drums, special forge-welded pipe and other items. Despite the fact that the production of these items was new to the Yugoslav enterprises, they are successfully coping with their commitments and delivering quality equipment.

The close attention of party and state organs of the socialist nations is contributing to the development of organic interrelations among enterprises and branches. During a Belgrade meeting between L. I. Brezhnev, general secretary of the CPSU Central Committee and chairman of the Presidium of the USSR Supreme Soviet, and J. Broz Tito, president of the SFRY and chairman of the League of Communists of Yugoslavia, in the fall of 1976, as an example, the USSR and the SFRY delegations expressed confidence that favorable conditions existed for the intensification of equal and mutually advantageous cooperation, and stressed the following: "The extensive employment of modern forms of international division of labor and the development of production cooperation on a long-term basis can contribute to the realization of this goal."<sup>9</sup> In accordance with long-term points of agreement

achieved at high-level Soviet-Yugoslav talks in 1977, a long-term program was worked out for economic and scientific and technological cooperation between the USSR and the SFRY for the period 1981-1990. It calls for the stimulation of industrial cooperation in heavy- and transport-machine building (the production of metallurgical equipment, transport means, overhead traveling cranes, excavators and cutter-loaders for mining operations) and the manufacture of power machinery (production of steam boilers, turbines and equipment for electric power plants and the electrical engineering industry). Continued progress is planned in the area of machine-tool building, motor vehicle manufacture, electronics, computer equipment and shipbuilding. "Soviet-Yugoslav cooperation is moving forward in many areas," the 26th CPSU Congress stressed. "Coordinated principles and points of agreement provide a good basis for its continued expansion. Soviet-Yugoslav friendship has deep roots, and we have no doubts with respect to its future."

Industrial cooperation is developing successfully between enterprises of Yugoslavia and the Hungarian People's Republic. It embraces the production of agricultural machinery, aviation and electrical equipment and individual components, assemblies and parts for buses, trucks and passenger cars. A long-term (20-year) agreement has been concluded between Hungarian and Yugoslav enterprises on shipments of paper pulp to the SFRY in exchange for lumber from deciduous trees. Close ties between the two countries in the field of the chemical industry have contributed to the division of labor in the production of mineral fertilizers, petroleum products, plant protection agents and medicines. Under an agreement signed in 1981 between the Yugoslav plant Srvena Zastava and the Mogyurt firm in Budapest,<sup>10</sup> Hungarian enterprises will ship 32 different assemblies and parts for passenger cars to the SFRY over a 10-year period, and the SFRY will ship approximately 2,000 Zastava 101 motor vehicles annually to Hungary. The agreement calls for gradual expansion of the volume of reciprocal deliveries and their qualitative improvement in the process of cooperation.

Industrial cooperation and specialization are playing an increasingly important role in relations between Yugoslavia and Czechoslovakia. A large-scale, bilateral agreement in the field of ferrous and nonferrous metallurgy was concluded in 1955 and extended to the end of this century. During the prescribed period the Czechoslovak republic will deliver more than 4.2 million tons of nonferrous metallurgy products to Yugoslavia and the SFRY will ship around 900,000 tons of ferrous metals and around 400,000 tons of alumina to Czechoslovakia.<sup>11</sup> The production of certain types of chemical products, excavators, electrical medical equipment, television sets, refrigerators, washing machines and air conditioners is an important area of cooperative relations between Yugoslav and Czechoslovak enterprises.

Cooperative ties occupy a prominent place in the reciprocal commodity turnover between Yugoslavia and the German Democratic Republic. Enterprises of the SFRY and the GDR have signed an agreement on cooperation in the production of column-and-knee milling machines, refrigeration and compression equipment, high-quality tools, cameras, electrical equipment and chemical products.

Cooperation in production technology is being actively developed between the SFRY and the Polish People's Republic. Deliveries covered by agreements on production specialization and cooperation account for one of the highest portions of any such relations between Yugoslavia and the CEMA countries. Successes achieved in cooperation in the automobile industry, the production of lathes and presses, electrical engineering and electronic equipment, loaders and hydraulic excavators, washing machines and mechanical household appliances have contributed to this. Agreements signed for the period 1981-1985 call for the joint design and production of equipment for mines, cooperation in the production of certain equipment for atomic and thermal electric power plants and joint projects to reduce environmental pollution as well as a significant expansion of reciprocal deliveries of motor vehicles and trucks, buses, assemblies, components and spare parts for them.

The construction and operation of the Iron Gates hydraulic power engineering and navigation system on the Dunay is the main item of production cooperation between Yugoslavia and Romania. Construction began on its second stage in 1977. Soviet industry, with the technological and economic assistance of which the construction is being performed, is making a large contribution to the successful implementation of these undertakings. Yugoslav and Romanian economic organizations have also arranged joint production of trucks, diesel locomotives, machine tools, hydraulic presses, ships and boats and equipment for them, and computer equipment. Agreements on specialization have been successfully realized in the area of machine tool building, petro-chemicals and others.

Industrial cooperation between the SFRY and the People's Republic of Bulgaria have been expanded in the fields of machine building, electrical engineering, electronic and chemical industries, ferrous and nonferrous metallurgy. Yugoslav and Bulgarian enterprises are specializing in, among other areas, the production of electric trolleys, industrial refrigerators and diesels, washing machines, electric irons and other household equipment. The two parties are endeavoring to expand production specialization and cooperation and to build up the long-term forms of cooperation. Agreement was recently achieved on the shipment of Yugoslav motor vehicles Zastava 101 and Yugo 45 to Bulgaria during the period 1981-1985 in exchange for spare parts from Bulgaria.<sup>12</sup> The terms of the agreement call for a balancing of deliveries with shipments of other goods, which reflects the interest of both parties in expanding mutually advantageous cooperation.

The developed bilateral economic and scientific and technological relations between the CEMA countries and Yugoslavia are creating the preconditions for supplementing and enhancing them with multilateral forms of cooperation. Socialist Yugoslavia is presently participating in the realization of more than 120 agreements and contracts on multilateral specialization and cooperation in production, scientific and technological cooperation.<sup>13</sup>

Questions of multilateral specialization and cooperation in production between the SFRY and the CEMA nations in the field of machine building are highly important. Under agreements signed in 1975 Yugoslav enterprises committed themselves to produce 534 types of items for the machine building industry, which comprises 28 percent of all the different products specified for reciprocal deliveries between the

CEMA nations and Yugoslavia.<sup>14</sup> In the 1970's the SFRY signed agreements with the CEMA countries on multilateral, international specialization and cooperation in the production of construction machinery and equipment, mining equipment, river vessels, lathes, tractors, agricultural machinery, basic means of mechanization for loading-unloading and warehouse operations, and so forth.

An agreement signed by the representatives of a number of CEMA countries and Yugoslavia in June of 1979 on cooperation and specialization in the production of equipment for atomic electric power plants is one of the largest agreements concluded. Participation by Yugoslav plants in its important integration measure confirms the SFRY's great economic potential and the prestige of its scientific and technological achievements. Interaction among around 50 industrial associations and enterprises of the People's Republic of Bulgaria, the Hungarian People's Republic, the German Democratic Republic, the Polish People's Republic, the Socialist Republic of Romania, the USSR, the Czechoslovak Socialist Republic and the SFRY will bring about the start-up by 1990 of nuclear power capacities with a total output of 37 million kilowatt-hours in the European CEMA nations and in Cuba.<sup>15</sup>

The interested parties have used the regular exchange of information in the field of ferrous and nonferrous metallurgy as the basis for developing proposals on the use of preproduction capacities and for concluding appropriate contracts and agreements among themselves. In 1975 the CEMA countries and Yugoslavia signed an agreement on multilateral specialization and cooperation in the production of semi-finished products of ferrous metals and their alloys. This has made it possible successfully to resolve problems pertaining to the provision of the socialist national economy with the essential assortment of metallurgical products and raw materials, opened up an important channel for the sale of excess goods and for loading up temporarily idle metallurgical capacities and provided a saving of several hundred million units of the national currency for the international economy of the CEMA nations and the SFRY.

The contemporary stage in economic relations between the CEMA countries and the SFRY has seen improvement in the parameters for goods delivered on the basis of agreements on production specialization and cooperation, the shifting of focus from delivery of finished machinery and equipment to shipments of large series of standardized assemblies and parts and, finally, growing influence for multilateral relations upon all types and areas of cooperation. From the economic standpoint cooperation among large production enterprises and associations, cooperation by part and assembly, are having the largest effect. A great deal also depends upon the optimal resolution of the problem of balancing reciprocal deliveries and coordinating prices for the products involved in the cooperation.

Production cooperation between Yugoslavia and the USSR and other CEMA countries, like their cooperation as a whole, is developing upward and producing good results for all the participants. The stable and planned nature of economic relations between the SFRY and the CEMA socialist countries is having a good effect with respect to expanding production capacities. Increasing labor productivity and employment in Yugoslavia. The long-term agreements provide a hedge for Yugoslav

industry against the fluctuating state of the world market, helping to stabilize its production and contributing to its dynamic growth. Another important aspect of this for the SFRY economy is the fact that in addition to the enterprises which signed the agreements, their cooperative partners within the nation are also becoming involved in the industrial cooperation. As an example, 14 production organizations of the SFRY, 6 Polish and 20 Hungarian organizations are involved in cooperation with Soviet motor vehicle manufacturers. "And so, many labor organizations have taken advantage of the opportunity to increase their production series and accelerate their development," Yugoslav economists state.<sup>16</sup>

Division of labor is expanding the foundation for cooperation among the CEMA socialist states and Yugoslavia and freeing them of the need to import certain types of articles and raw materials from the capitalist countries. Export specialization is assuming special importance in Yugoslavia's situation, since the unequal import and export of goods has long created a severe problem for the Yugoslav economy.<sup>17</sup> Differences in the approach taken to certain economic problems and in the present national economic structures, with mutual agreement, cannot be insuperable barriers to the organization of mutually advantageous and equal economic relations. The successful development of the socialist economy of the CEMA countries and Yugoslavia is creating good possibilities for their expansion and intensification. There are extensive reserves both in intrabranch production specialization and cooperation as well as interbranch cooperation, especially in the resolution of fuel and raw-material problems. The parties still have to resolve current questions pertaining to the joint capital investments, the conduct of scientific research, the joint involvement of third countries in the markets, and so forth.

The intensification of production specialization and cooperation, which are creating solid horizontal and vertical linkages in the mutual division of labor, is an important material prerequisite for the intensive exchange of know-how in socialist management and a good guarantee of friendly relations among peoples. The historical experience of the CEMA countries and Yugoslavia convincingly attest the fact that the strength of peoples is multiplied on the path of friendship and cooperation, and their successes become generally available to the socialist countries.

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## USSR-CEMA TRADE

### SHORT-TERM CREDITS OF INTERNATIONAL BANK FOR ECONOMIC COOPERATION

Moscow VESTNIK MOSKOVSKOGO UNIVERSITETA: EKONOMIKA in Russian No 3, May-Jun 82  
pp 59-65

[Article by A. V. Lobodenko: "Several Aspects of Improving the Effectiveness of Short-Term Credits of the International Bank for Economic Cooperation"]

[Text] International Bank for Economic Cooperation (IBEC) activity in calculating and issuing credit in transfer commodity and services exchange rubles among IBEC member-nations, which began in 1964, is of important significance to developing socialist integration.

The IBEC credit-calculation system as a whole has successfully facilitated the comprehensive economic cooperation of the participant countries. From 1971 through 1979, exchange in reciprocal calculations among IBEC countries increased from 39.3 billion transfer rubles to 114 billion, and the amount of credit issued increased from 2.8 billion to 8.3 billion transfer rubles during the indicated period.<sup>1</sup>

These figures show that bank credit activity has been developing dynamically. Relying on the successes achieved, IBEC member-nations have set the task for further increasing the effectiveness of the bank credit system and improving the quality of its work.

It should be noted in this regard that the problems of the effectiveness of IBEC international socialist credit are not narrowly technical ones, but are a reflection of the development of material production in the currency-credit system.

Thus, stimulating progressive forms of foreign economic ties, including multilateral trade balances and production specialization and cooperation, is an important task of IBEC credits. Let us try to explain how the IBEC credit system relates to the development of CEMA member-nation reciprocal economic relations.

In order to do this, we need to define the actual content of multilaterality in foreign economic ties and its place in the system of such ties.

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<sup>1</sup>"Otchet o deyatel'nosti MBES v 1979 g." [1979 Report on IBEC Activity], Moscow, 1980, p 23.

Let us note that there can be no absolute multilaterality in the trade balance. The sovereign national economic complexes of the individual countries are the basic subjects of economic activity in the world socialist economy. As representatives of these complexes, the states are the owners of goods on the world socialist market. In the exchange of goods, the national economic complexes enter into specific bilateral relationships, inasmuch as the goods of one owner-country are exchanged for the goods of another owner-country through the medium of money.

Thus, foreign trade is in the nature of bilateral exchange between states, inasmuch as there exists a national-state ownership of the goods being produced and exchanged within the framework of the world socialist economy.

The nature of bilateral foreign trade planning, in which the states set certain quantitative quotas of goods subject to exchange with each specific country in long-term agreements and annual protocols, also stems from the indicated conditions.

This procedure leads to a trend towards bilateral reciprocal trade balance, which is no obstacle to the development of economic ties among the countries of socialism. Yu. A. Konstantinov notes, in particular, that "trade turnover balance on a bilateral basis is one of the necessary forms of CEMA-country foreign trade cooperation. It enables two partners to more fully reveal and meet their mutual economic needs. And it will continue to operate, reflecting the economic needs of the countries. Given planned management of the economy, it is a natural law that the countries will ensure a certain equilibrium of imports and exports of goods."<sup>1</sup>

It is also untrue that a multilateral balance of trade cannot be achieved given the overall bilateral nature of foreign economic ties. At present, as a consequence of the use of many years of experience in planning reciprocal foreign trade relations, continued improvement in the national economic mechanisms and overall progress in the economies of all states in the community, the partners have basically achieved a balance of calculations on a bilateral basis.

Moreover, a certain amount of multilateral balancing is being done at the present stage, since multilateral talks follow trade talks between two individual countries; in the course of these talks, the states additionally equalize somewhat the mutual demands and obligations which arose on a bilateral basis through the planning of exports and imports from other CEMA member-nations. The proportion of multilateral balancing in total trade turnover is small, a few percentage points, but this mechanism enables the countries as a whole to avoid freezing their assets in large amounts.

Consequently, the bilateral nature of foreign economic ties does not signify that these ties are inadequately developed. Under present conditions, bilaterality is a necessary and basic form of reciprocal economic relations management. And multilateral balancing is only a supplement to the indicated system, one which

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<sup>1</sup>Yu. A. Konstantinov, "Den'gi v sisteme mezhdunarodnykh ekonomicheskikh otnosheniy stran SEV" [Money in the CEMA International Economic Relations System], Moscow, 1978, p. 179.

is called upon to heighten the effectiveness of foreign economic ties and to improve their structure.

However, an extraordinary effort to achieve balance on a bilateral basis alone carries with it the possibility that the overall effectiveness of foreign trade turnover will be decreased. Both partners have different export opportunities, greater or smaller, in their economic relations. In the end, they are limited for any party, since each offers for export a certain set of goods which does not always satisfy its partner either quantitatively or qualitatively. A striving just for bilateral balance can therefore generate in the partner with the greater export opportunities a striving to achieve better equilibrium by tending to hold back its own exports (often of goods which are effective or needed by the other partner) and increase its imports, sometimes of goods which are not the most necessary or effective for it.

The reverse can be observed in countries with lesser trade opportunities, which also leads to reduced trade-turnover effectiveness. As Yu. A. Konstantinov notes in this connection, at present, "bilateral trade-turnover balance is being achieved in practice through the purchase of goods which are not the most necessary, as well as through a reduction in exports to the level of the country with the least export opportunities and, in particular, so that the trading partners can balance reciprocal payments."<sup>1</sup>

Why is there an effort in the world socialist market towards preferentially a bilateral balance of mutual ties? The answer lies not in the sphere of currency-credit relations, but in the sphere of material production. The IBEC credit mechanism and the transfer ruble as the international socialist foreign exchange medium have created all the prerequisites for multilateral trade balance without restrictions on degree.

The reason for the insufficiently complete use of the IBEC credit system to develop multilateral ties is the scarcity of basic goods necessary to the economies of CEMA member-nations and their inadequate quality. Given a market demand which exceeds supply on the whole, certain countries have been inclined to balance reciprocal trade on a bilateral basis and do so by reducing the effectiveness of exchange, inasmuch as there are not always opportunities for importing from other CEMA member-nations the more necessary and effective output.

Soviet economist O. T. Bogomolov writes, apropos of this, "The difficulty in solving it (the multilaterality problem -- A. L.) lies in the necessity of multilateral balance not so much in terms of the cost, as in terms of the consumer value of the goods. It is important that the active [positive] balance of payments formed as a result of the export of scarce goods not become a passive [negative] balance as a result of the importation of low-value goods not in demand."<sup>2</sup>

Consequently, only the continued growth of production in CEMA member-nations and increased production efficiency can create the conditions necessary for

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<sup>1</sup>Yu. A. Konstantinov, Op. cit., p 181.

<sup>2</sup>O. T. Bogomolov, "Strany sotsializma v mezhdunarodnom razdelenii truda" [The Nations of Socialism in the International Division of Labor], Moscow, 1980, p 180.

the more complete use of the IBEC credit mechanism, for developing the multilateral balance.

It does not follow from what has been said that resolution of this problem cannot be facilitated even now through use of the opportunities of calculations and crediting in transfer rubles. In this connection, we can point to the possibility of IBEC credit participation in developing specialization and cooperation among individual countries, the more so since the task of assisting their development is stated in the basic normative documents of the bank.

This form of foreign economic ties contains the principle of multilaterality, inasmuch as countries participating in implementation of a cooperation agreement are conducting a purposeful, multilaterally balanced reciprocal exchange of subassemblies and parts for the manufacture of certain types of items being jointly produced. One example of such cooperation would be CEMA member-nation cooperation in electronics industry.

IBEC credit could, in turn, facilitate the development of multilateral production specialization and cooperation more actively and purposefully than now. To this end, it would be useful in the future to examine the possibility of issuing bank credit in transfer rubles for the current production activity of economic organizations participating in the implementation of corresponding agreements. This would facilitate implementation of the important tasks of perfecting CEMA member-nation economic cooperation (such as the development of direct production ties) which were discussed at the 26th CPSU Congress.

Comrade L. I. Brezhnev, in particular, pointed out in the Accountability Report to the Congress that, "Life itself sets the tasks of supplementing plan coordination with the coordination of economic policy as a whole. Such questions as bringing the economic mechanism structures closer to one another, further developing direct ties among the ministries, associations and enterprises participating in the cooperation and creating joint companies are also on the agenda, and other forms of combining our efforts and resources are also possible."<sup>1</sup> We are thus set the task of comprehensively and completely developing the overall mechanism of CEMA member-nation cooperation in general, including cooperation in the foreign-exchange and finance sphere. In this regard, particular attention is being paid to perfecting the planned principle in reciprocal economic relations.

Proceeding from the qualitative character of bank member-nation production relations, we can say that further improvement in and increased effectiveness of the mechanism of planning their cooperation will in the end serve as the main method of solving all problems of perfecting the IBEC credit system.

The problem of perfecting credit planning is multifaceted. Let us touch on one aspect of it, the substantiation of plan calculations submitted by IBEC member-nations when drawing up credit applications.

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<sup>1</sup>"Materialy XXVI s"yezda KPSS" [Materials of the 26th CPSU Congress], Moscow, 1981, p 8.

As is known, under existing procedures, the bank plans limited-period loans to countries on the basis of credit applications submitted by them. Annual and semiannual (refined annual) applications are based on receipt and payment calculations submitted concerning individual partners in the planning period. In this regard, the IBEC receives an evaluation of the bilateral balance of calculations of each country twice, once from each partner individually.

For objective reasons such as differences in planning and management systems and procedures for statistically recording exports and imports, the exact same foreign trade relations between individual countries can be expressed differently in quantitative terms, so the difference in reciprocal balances in the countries for which the planning is being done can be significant. In addition to the above-mentioned objective factors, the subjective effort by debtor countries to obtain large amounts of credit can also have a certain influence on the origin of such planning data discrepancies.

Due to the above, the problem of discrepancies in credit application data should be approached with consideration of the nature of those discrepancies. Such objective reasons as differences in planning and management systems will apparently exist for a long time and will unavoidably generate discrepancies in evaluations when planning calculations and credit. It is therefore unrealistic at this stage to achieve complete uniformity in the planning calculations of individual countries.

At the same time, in order to limit the effect of subjective obstacles to proper and economically substantiated credit planning, it would be appropriate to establish some sort of limits, some maximum possible discrepancies for credit application data. Those discrepancy limits could be set using banking practices. Average percentage of divergence in planned balances, average proportion of limited-term credit limits not fully used in the preceding period, and so forth, could serve as the benchmarks. If discrepancies in the planned balances exceed the established limits, the bank might adjust its own planning data to values exceeding the possible discrepancy limits. The establishment of definite limits on credit application calculation discrepancies would, on the one hand, facilitate proper bank planning work and a more realistic planning of limited-term credit in transfer rubles and would reduce the element of automatism in the issuance of credits and, on the other, it would increase the responsibility of the countries for the substantiation of plan calculations.

Along with the problems examined above, there are also other directions in which to improve the IBEC credit mechanism. Let us touch on several. It is important to continue improving bank credit policy, in particular, to set economically substantiated interest rates.

What should the maximum interest rates be for IBEC credits? Several factors determine these limits, in our opinion.

First, we need to determine the ratio of rate levels to national-economic national normatives of return on invested funds.

Second, consideration should be given to price movements on the world socialist market, inasmuch as if a price increase for goods which comprise the charge for

credit repayment is higher than the interest rate, a situation arises in which the actual amount of output delivered to repay the credit turns out to be less than the actual amount of goods delivered for the use of credit.

Third, it must be borne in mind that the bank covers its own credit activity expenditures through revenues in the form of credit interest payments. Moreover, the interest received serves as a source of payment of revenues to member-countries based on deposits and current accounts. The interest rate must consequently be sufficient to cover these expenditures.

Whereas the third factor is relatively easily anticipated in planning due to the fact that bank member-nation calculations submitted in credit applications can be used to determine approximate IBEC expenditures on the above-mentioned purposes, it is more complicated to resolve the other two questions.

It is understandable, for example, that profitability normatives must be a factor in setting the interest rate in order to link interest payments to repayment sources. It is also obvious that credit must be non-loss for the borrower, that is, the interest rate must not exceed the average profitability normative.

The difficulty in finding an upper interest rate limit consists in the fact that there is no single profitability normative for all countries in the world socialist economy due to differences in the economic mechanisms of CEMA member-nations. However, given all these differences, the indicated normatives always exceed several-fold the interest rates on IBEC credits, which are 2-5 percent annually, depending on the type and term of the credit.<sup>1</sup>

It is thought, among economists in the socialist countries, that interest rates on IBEC credits must be raised.<sup>2</sup> We concur in this judgement for several reasons. First, the gap between national profitability normative levels and IBEC credit rates is quite large. Second, funds invested in branches associated with foreign economic activity must yield a high return and have a higher effectiveness norm than the average national economic profitability normative.<sup>3</sup> Third, further rise in and differentiation of IBEC interest rates can intensify the material responsibility of countries regarding meeting their obligations.

The fourth circumstance stems from consideration of the possibility that prices in transfer rubles might rise on the world socialist market. This is associated largely with the fact that CEMA member-nation market prices are set up on a base of world prices, which are currently tending towards long-term increase. This is in turn generated by inflationary processes in the world capitalist economy, by the rise in fuel and raw material prices, and so forth. If consideration is

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<sup>1</sup>"Mezhdunarodnye raschety i finansirovaniye vneshego torgovli" [International Calculations and Foreign Trade Financing], Moscow, 1980, p 257.

<sup>2</sup>M. K. Balazik, "Nektorym aktualnym otazkam devizovo finansovych vztahov v RVHP," in PLANOVANE HOSPODARSTVÍ, No 1, 1979, p 67.

<sup>3</sup>See: I. F. Motorin, "Planirovaniye protsessov integratsii v SSSR" [Planning Integration Processes in the USSR], Moscow, 1975, pp 147, 160-161.

not given to this factor in credit interest rates, it might lead to a reduction in the actual cost of credit, which might become loss-producing, since the actual amount of good obtained through its use might turn out to be more than the amount obtained through repayment.

It thus seems that, given constant prices, the lower interest rate limit for credits must be adequate so that bank revenues will permit normal credit activity but, given an overall tendency towards increasing prices, the interest rate level must be oriented towards outstripping the rate of price increase for the credit term.

And as concerns the upper limit, given the existing differences in national economic profitability normatives, the interest rate must approximate the lower level of national return-on-capital normatives existing in the world socialist economy, but must not exceed it.

In this regard, let us note that, in order to create equal credit-issuance terms, bank member-nations should retain lower credit interest rates for countries with less-developed economies (Socialist Republic of Vietnam, Cuba, Mongolian People's Republic), which will to a certain extent help equalize the levels of economic development of the fraternal socialist states.

Another important direction in which to improve interest policy, in addition to an overall rise in IBEC credit interest rates, must be to differentiate these rates as a function of different economic conditions, and in particular in order to stimulate an increase in exports from borrower-countries.

In this connection, it seems appropriate to establish definite intervals, limits for limited-term credit interest rates, such as 4-5 percent for up to one year, 5.25 to 6.25 percent for up to two years, 6.5 to 7 percent for up to three years, and so forth.<sup>1</sup> The setting of interest rates for individual loans might be varied as a function of specific conditions.

A systematic rise in borrower interest rates for IBEC credit must stimulate a savings to the debtor country in terms of export production growth and in the end will assist the balanced, planned development of IBEC member-nation foreign economic ties as a whole.

In addition to the above questions, such problems of IBEC credit activity development as setting substantiated calculated credit limits, covering interest and profits paid bank member-nations with commodities, and so on, are also of important significance.

The comprehensive resolution of all these tasks, which demands thorough and comprehensive analysis, will doubtless help further strengthen CEMA member-nation economic ties and increase their effectiveness.

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<sup>1</sup>hypothetical example

## TRADE WITH INDUSTRIALIZED COUNTRIES

### ECONOMIC, POLITICAL RAMIFICATIONS OF SOVIET EXPORT DRIVE, GAS PIPELINE PROJECT

Bonn DIE WELT in German 28 Jul 82 p 6

[Article by Werner Obst: "Russia in a Flood of Western Foreign Exchange-- The Economic and Political Dimensions of the Soviet Export Drive and the Natural Gas Pipeline Project"]

[Text] During 1981 the Soviet Union exported commodities worth 54.1 billion German marks to the OECD. In so doing the Soviet export to Western countries expanded by 20 percent compared to 1980. Downright sensational, however, is the development in 1982. During the first quarter Moscow increased its exports to the OECD--compared to the first quarter of 1981-- by 35.4 percent, the the EEC by 53.8 percent, and To the EEC even by 101.7 percent. In contrast to the German trade with the East, which is shrinking (this was reported by the Federal Bank, see WELT of 20 July, and the Institute of the German Economy, see WELT of 6 July), the Soviet Union is systematically consolidating its trade with the West. The OECD shares in Soviet exports are growing.

#### Soviet Export to the OECD

1970: 9.1 billion German marks, i.e., 19.2 percent of all exports.

1975: 22.5 billion German marks, i.e., 25.8 percent of all exports.

1980: 45.0 billion German marks, i.e., 32.6 percent of all exports.

1981: 54.1 billion German marks, i.e., 33.0 percent of all exports.

1982: 65.0 billion German marks, i.e., 34.0 percent of all exports (estimate).

1985: 90.0 billion German marks, i.e., 36.0 percent of all exports (prognosis).

The present export drive results necessarily from the concrete situation of the Soviet Union for Moscow can no longer free itself from the excessive indebtedness in the West by any other means. But what will come after the consolidation of Soviet foreign trade in 2 to 3 years? Then the deliveries of natural gas will once again suddenly drive up Soviet export earnings by 12 billion German marks annually beginning in the mid-1980's. Moreover, should the prices for natural gas by then come up to those of oil--and only dreamers can completely exclude this--then even 20 billion German marks would be added. This new dimension of the Soviet trade with the West is the real crux of the controversial natural gas pipeline deal.

The speed with which Soviet exports to the West expand will depend decisively on whether or on the extent to which Western Europe purchases gas. The business [in natural gas] will also decide whether Soviet technology imports will remain at the prevailing level or whether it will become more intensive. On this point, see the two tables below.

The natural gas pipeline has a political dimension in addition to the economic one. For with 90 billion German marks in foreign exchange earnings per year beginning in 1985, the Soviet Union could continue its dual strategy of the 1970's. It could force the tempo of the arms build-up, possibly once again increase the share of armaments at the expense of civilian investments. In short, a still larger share of the Soviet accumulated wealth could be used for military purposes because a still larger share of the needs for civilian investments can be exchanged in the West for natural gas.

Table 1. Exports of Western Industrialist Nations (OECD) to the Soviet Union (in billions of dollars)

<u>Item</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>In % of Exports</u>
OECD total	16.5	20.4	24.2	25.1	
Of these: Germany	3.1	3.6	4.4	3.4	1.9
Japan	2.5	2.5	2.8	3.2	2.1
USA	2.2	3.6	1.5	2.3	1.0
France	1.4	2.2	2.5	1.9	1.8
Canada	0.5	0.7	1.3	1.6	2.1
Italy	1.2	1.2	0.8	1.3	1.7
Great Britain	0.8	0.9	0.9	0.5	0.5
Of these: EEC	7.6	8.9	11.3	10.5	

Table 2. Imports of Western Industrial Nations (OECD) from the Soviet Union  
(in billions of dollars)

<u>Item</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
OECD total	12.9	19.6	24.8	23.9
Of these: EEC	7.7	12.0	16.6	16.5
USA	0.4	0.5	0.2	0.3
Trade surplus of the Soviet Union vis-a-vis the EEC		3.1	5.3	6.0

The Soviet Union earns the means for the purchase of grain in the United States, Canada, Argentina and elsewhere through its exports to the EEC. Two-faced as Soviet foreign policy is, the trade involvement with the West could be intensified through the natural gas pipeline deal, on the one hand, but, on the other, the armament potential of the Soviet Union, if allowed to grow unhindered, could threaten Western Europe in 1990 still more seriously than it does already at present.

For Moscow the natural gas pipeline deal would be an unmistakable coup; Western Europe, by contrast, would not even have convincing economic advantages. For natural gas is available at similar prices in abundance in other regions with equal or even smaller risks. Even the job-saving effect of the project would not be substantially different than in the case of transport via liquid gas tankers from overseas. For this, too, job-creating investments in the billions would be necessary in shipbuilding and port terminals. The important difference: The investments would then come to bear in the West. As it is, the alleged saving of jobs is a far-fetched argument of the advocates of the project. For even the employment policy aspect--no doubt of interest to the Western export industries--is more than compensated for by the rapidly growing armament burdens. These, after all, are forced upon the West already now, without the natural gas project.

The natural gas pipeline deal, no doubt, entails economic advantages for the enterprises directly participating in it; there is the danger, however, that in the future all Western national economies will have to divert a still larger part of the gross social product for armaments, like lately the United States has had to do already. Because of the Soviet arms build-up, it had to increase its armament share from 5 to 6.4 percent, which beginning in 1982 will come to additional annual costs of 50 billion dollars. In 1979 the United States spent 118 billion dollars for armaments, in 1983 the budget includes 214 million dollars. Within 4 years, in other words, a plus of 96 billion dollars is to be registered.

This is a multiple of the amount which American firms and farmers could ever earn through trade with the Soviets. In 1981 the total U.S. exports to the Soviet Union came to 2.3 billion dollars, and in 1982 they will amount to 4 billion dollars at best.

The West Europeans still have not learned their lesson. If one looks at the 1970's in retrospect, one has to ask himself how all of these things are supposed to go together--natural gas, Western foreign exchange together with technology transfer and the Soviet arms build-up. The German defense ministers--already during the 1970's--pointed to the enormous Soviet armament efforts. Georg Leber at the time was among those who issued the most urgent warnings when the ministers of economics Schiller and Friderichs were still bringing home one large order after the other from Moscow--and that almost exclusively on a credit basis. During 1981 the EEC exported commodities worth 10.5 billion dollars to the Soviet Union; at the same time, because of the Soviet arms build-up, armament burdens in the EEC increased by 12 billion dollars. Is that to go on now in even larger dimensions? Are economic and defense interests to continue to draw apart even further, only because heads of government fail to coordinate trade with the East and Western security in a meaningful way?

Gigantic means are being misdirected here, means which could be invested more rationally in the Third World, but also in Western Europe--for example, in Spain, Greece, Portugal, or Ireland. The economy of the Soviet Bloc countries need no more Western capital, but a substantial reform of the political system. The situation in Poland proves this.

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## TRADE WITH INDUSTRIALIZED COUNTRIES

### SOVIET-ARGENTINIAN TRADE TALKS

Moscow FOREIGN TRADE in English No 8, Aug 82 pp 14-15

[Article by Valeri Kornyshev, executive secretary of the Soviet Part of the Joint Soviet-Argentinian Commission]

[Text]

In April 1982 Buenos Aires hosted the sixth meeting of the Joint Soviet-Argentinian Commission on trade, economic, scientific and technical cooperation.

It gave the Commission pleasure to note that since its last meeting (June 1981) the Soviet-Argentinian relations had developed still further thus serving the national interests of both countries resulting from the mutual efforts in broadening their bilateral ties based on just principles and equality.

The Commission first of all considered the trade relations between the two countries. In the period mentioned above their mutual trade turnover increased almost twice reaching 2,400 mln rubles in 1981. Argentina became the biggest trading partner of the Soviet Union among the developing countries. In its turn the Soviet Union became the major purchaser of Argentinian products whose share in Argentina's export trade became very substantial. For instance, the USSR imported last year 87 per cent of Argentinian export grain, 28 per cent of export meat, almost 100 per cent of export sunflower and flax oils. The amount of some other products traditionally imported from Argentina (semifinished leather, wool, kuebracho extract, etc.) remained considerable.

The delegations pointed out that the economic potentials of both countries will keep the volume of bilateral trade and economic ties at a high level for the years to come.

The conclusion of 1980 and 1981 intergovernmental agreements on deliveries to the USSR of grain, soy-beans and meat greatly facilitated the expansion of mutual trade in the last few years. As is known, the Argentinian government did not follow the USA in 1980 in curtailing or restricting sales of grain and other agricultural products to the Soviet Union. The Agreement concluded on July 10, 1980, set minimum guaranteed deliveries of grain and soy-beans to the USSR, which created a stable foundation for mutual trade in these products. The Agreement stipulates annual deliveries to the Soviet Union

of grain for fodder production (maize and sorgo) to a minimum amount of four million tons and 500 thousand tons of soy-beans. Analysis of two years of this Agreement's fulfilment indicated that its mechanism was flexible enough in practice to permit the agreed minimum grain purchases in Argentina to be exceeded. Agreement on meat deliveries is also being carried out successfully.

Ninety per cent of the Soviet export to Argentina, the amount of which is considerably less than its import from that country, consists of machines and equipment. At present state companies are the main purchasers of this equipment. The biggest portion of it falls to hydro and thermal power equipment for Argentinian-Uruguayan hydro electric station Salto Grande (1.9 min kW) and Bahia Blanca (620 thousand kW) and Costanera thermal power stations. Soviet organizations are completing the contract on provision of turbines and generators for the Salto Grande hydro electric station (out of 14 Soviet made units for this electric station 12 have already been made wholly operational). Equipment for the Costanera thermal power station is already completely delivered and shipment of equipment for the Bahia Blanca thermal power station is under way. Various types of machines and equipment for the oil industry, metal cutting lathes, ball bearings, special rolling mills, instruments are shipped to Argentina along with the power equipment. The USSR also exports sodium bichromate and some other products to Argentina. Batches of textile equipment, motorcycles, tractors sold to Argentina expanded the export list somewhat but the overall quantities of these sales are still too small.

The Soviet delegation at the meeting noted that the expansion of Soviet-Argentinian trade, recorded in the last few years, happened mainly due to the considerable increase in Soviet import of Argentinian goods and pointed out the necessity to strongly enlarge Soviet export to Argentina. Satisfaction was expressed at the recent purchase of Soviet equipment worth about 20 million dollars by JAPF, the Argentinian state oil company and the Argentinian side was reminded of its intention, expressed at the previous meeting of the Commission, to make big direct purchases of Soviet machines, equipment and other products in 1982-1985. A long list of Soviet equipment was offered to the Argentinian side with the Soviet foreign trade organizations' readiness to conduct specific commercial talks with Argentinian firms and companies. In particular, the continuation of deliveries of Soviet basic power equipment for a number of new thermal and hydroelectric stations planned to be built in Argentina was offered.

Several measures to facilitate Argentinian business circles' acquaintance with Soviet export products to expand their deliveries to Argentina were discussed in detail. Especially with reference to the positive results of the visit to the USSR in autumn

1981 by the representatives of the Argentinian state companies, it was deemed useful to arrange a programme of mutual visits by experts and representatives of interested organizations and firms to assure realization of the above deliveries this year. The possibility of holding seminars for business circles on questions of Soviet export and opening a permanent demonstration hall for Soviet machines and equipment in Argentina was also agreed in principle.

The positive role played by the Agreement of February 13, 1974, on deliveries of machines and equipment from the USSR to Argentina was noted by the delegations. This Agreement indicates that the Argentinian importers of Soviet products may pay for them in instalments, and that finances gained from the selling Soviet equipment and machinery be used to purchase Argentinian goods including ready-made and semifinished products. On these conditions about 180 million dollars worth of Soviet equipment was delivered to Argentina. Since the Agreement's contractual term expired, it was extended for three more years with some changes. At the meeting of the Joint Commission due attention was paid to questions of economic and technical cooperation between the two countries. The necessity to study possibilities of cooperation in the fields provided for in the Intergovernmental Agreement on trade-economic and scientific-technical cooperation of February 13, 1974 and conduct specific consultations on the above-mentioned questions was stressed by the Commission.

Mutual satisfaction on the successful execution of a design contract for the Parana Medio hydro technical complex was expressed. Technical documentation of the project was worked out and completed in 1981 in cooperation with Soviet consultants. The Soviet delegation confirmed the readiness of the Soviet organizations to continue cooperation with the Argentinian company Agua y Energia Eléctrica in further realizing this project, one of the biggest in Latin America. It is known world-wide that Soviet organizations have much experience in constructing low-head hydroelectric stations and also in the technology of site construction and production of hydroelectric equipment, similar to that needed for the above complex. The Soviet Union organizations are well able to coordinate the work and participate in the joint construction of the complex with companies of other countries. Proposals concerning this project were handed over to the relevant Argentinian organizations for their consideration.

Mutual interest in the development of cooperation in the fishing industry was expressed. In particular, the possibility of setting up mixed Soviet-Argentinian companies for collective sea fishing, utilization of the Soviet scientific-research ship for studying available fish resources in the South-West Atlantics and other questions were submitted for discussion.

The constructive character of the talks held on wide range of questions revealed once again the mutual desire of the Sides to strengthen and develop the two countries' mutually advantageous cooperation still further.

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## TRADE WITH INDUSTRIALIZED COUNTRIES

### JOINT SOVIET-DUTCH COMMISSION'S SESSION REVIEWED

Moscow FOREIGN TRADE in English No 6, Jun 82 pp 48-51

[Article by Jury Balod]

[Text] In February 1982 the Hague was the venue of the 6th session of the Joint Soviet-Dutch Commission on Cooperation in the Economic, Industrial and Technical Fields. G.B. de Groot, Director General of External Economic Relations of the Ministry for Economic Affairs of the Netherlands, chaired the meeting.

A.N. Manzhulov, Deputy Minister of Foreign Trade, led the Soviet delegation.

The Commission discussed a wide range of questions on the present position and future development of economic, industrial, scientific and technical cooperation between the two countries. On the whole a positive appraisal was given to the development of the two countries' economic ties in the period between the fifth and sixth sessions, i.e., during 1980-81.

It was noted at the session that 1981 witnessed the greatest volume of mutual trade, which over the year rose by 6.5 per cent to around 1,500 million dollars. For four years in succession the Netherlands has ranked sixth among the West European trading partners of the Soviet Union. The parties also noted the favourable influence of the Trade Treaty of 1971 on the progress of trade and economic relations between the two countries.

Last year saw an appreciable increase in the Soviet import of Dutch goods, foodstuffs and farm products above all. The Netherlands is a major supplier of this group of goods to the USSR. There was also an increase in the Soviet import of Dutch equipment for the chemical, textile, food and power industries, as well as chemical products, some raw materials and consumer goods.

The Soviet exports to the Netherlands include oil and oil products, non-ferrous metals, chemical products, timber, plant and machinery, goods for household and cultural needs.

The session discussed questions connected with the possible delivery of Soviet natural gas to the Netherlands and of Dutch machines and equipment for the Western Siberia-Soviet Western border gas pipeline.

Information was presented on the work done to determine the possibility of Dutch firms participating in the construction of this pipeline and of the use of bank credits for the purpose. The parties also touched on the question of the possible use of this kind of credit for shipments to the USSR of Dutch machines and equipment for other industrial projects on Soviet territory. The Dutch side emphasized

ts interest in increasing the country's export of goods and services, as well as technologically improved articles and processes.

The Soviet side declared its readiness to jointly work with its partner to improve the balance of Soviet-Dutch trade by expanding the goods exchange between the two countries, by accelerating the growth of Dutch exports to the USSR, with respect to their competitiveness and a corresponding and simultaneous increase in the volume and range of Soviet exports to the Netherlands.

The Dutch side expressed its intention to prepare proposals that would help such a course of development in time for their discussion at the meeting of the equipment and machinery working group.

The two delegations noted with satisfaction the good progress achieved in carrying out the 1972 Agreement on Cooperation in the Economic, Industrial and Technical Fields for which purpose the Soviet-Dutch Joint Commission was set up.

As pointed out at the session, by the beginning of last February contracts on the import and export of goods for 1982 and subsequent years to the value of hundreds of million of rubles had already been signed.

It was noted that organization and development of such forms of economic cooperation as production cooperation, collaboration on the markets of third countries, licence and know-how exchanges and, in the event of mutual interest, transactions on a compensation basis could help expand mutual trade on a stable and long-term basis. It was deemed advisable to devote more attention to the assortment of trade in equipment and machinery as well as other manufacturers.

Both delegations expressed their readiness to continue their assistance in arranging exhibitions, symposia and other such events in both

countries so as to involve new firms and commodities in their mutual trade. This year Soviet foreign trade organizations will participate in the international automobile show and the international Photocinetecnik exhibition in Amsterdam, and in the Europort exhibition in Rotterdam. Dutch firms, in turn, will take part in the Inlegmach, Electro, Chemistry, Cardiology, Science and other exhibitions to be held in the USSR.

A desire was expressed to expand business contacts between the USSR Chamber of Commerce and Industry and the Dutch centre for the promotion of trade on the basis of the agreement signed between these two organizations in 1969. With their assistance, business between Dutch firms, including medium and small-sized, and all-Union foreign trade associations can be appreciably enlivened with a view to furthering and diversifying the mutually advantageous economic ties.

The two delegations again reiterated the fact that better conditions for Soviet-Dutch trade would favourably affect economic cooperation between the two countries. These questions were discussed at a meeting between A.N. Manzhulo, head of the Soviet delegation, and V. Dijk, the State Secretary of the Ministry for Economic Affairs of the Netherlands.

Both sides of the plant and machinery working group reported on their activities and the Commission remarked upon the importance of the efforts they were making to find ways of expanding mutual trade in machines and equipment, to reveal possible new projects for industrial cooperation and bring them to the notice of appropriate organizations and firms in the USSR and the Netherlands, as well as to organize constant exchanges of information on the two countries' export possibilities and import requirements in machines and equipment.

The delegations noted that the

proportion of equipment and machinery in Soviet-Dutch trade as yet remains insignificant. It was recognized necessary that the working group while paying attention to the expansion of traditional trade in these goods, should devote more attention to the improvement of the forms and methods of this trade, deepen industrial and economic cooperation and search for new marketable items to expand the mutual trade. In the opinion of both delegations, cooperation in electronics and radio engineering, for instance, appears promising.

When considering the state and prospects of scientific and technical cooperation between organizations and enterprises of the two countries both delegations expressed the opinion that good progress had been achieved. The countries continued to exchange scientific and technical information and documentation, delegations and specialists, organize symposia, carry out joint experiments and test raw material samples and new products.

The parties confirmed their intention to continue developing, on a mutually advantageous basis, their cooperation in the chemical, petrochemical, food and light industries, in machine manufacture for the light and food industries, in building and operating machinery and installations for sea bed dredging operations.

It was suggested that the parties study the possibilities of establishing scientific and technical ties in the electronics and electrical industries, land improving activities, industrial and civil construction, instrument making, production of medical equipment and medical preparations. The two delegations noted that the parties have gained rich experience and possess progressive technologies in these fields.

The sides emphasized the importance of the cooperation now under way in building dams and hydro-

engineering installations, in studying the biological and mineral resources of the ocean as recorded in the Agreement signed in 1979 between the USSR State Committee for Science and Technology and the Netherlands Industrial Council for Oceanology. The Commission recommended invigoration of the activity of the group of experts on cooperation between these two organizations with the aim of undertaking projects of mutual interest and obtaining concrete economic results in this field of endeavour.

The Commission positively assessed the results achieved by the working group on cooperation in agriculture. It was pointed out that cooperation in this area more and more results in the signing of commercial transactions. The parties noted that the greatest progress was achieved in cooperation in the fields of selection, seed growing, mushroom cultivation, poultry slaughter and dressing technologies.

Both delegations regarded as positive the prospects of mutually advantageous cooperation in agricultural research and expressed the view that the activity of the said working group and broader cooperation in this area may have a favourable effect on Soviet-Dutch trade and economic relations.

The Commission, with numerous representatives of interested Dutch firms and entrepreneurial associations, listened attentively to information about the Guidelines of the economic and social development of the USSR for 1981-1985 and up to 1990, and the prospects of economic development in the Netherlands. It was stressed that the further development of the two countries' economies is an indispensable basis on which to broaden the mutually advantageous trade and economic ties.

During the session, meetings and talks were held between members of the Soviet delegation and repre-

sentatives of Dutch business circles. During the talks the parties discussed specific economic, industrial, scientific and technical co-operation questions. Members of the Soviet delegation visited factories of the Philips electrical concern in Eindhoven, and an agricultural enterprise in Friesland.

It was planned to hold the 7th session of the Joint Commission in Moscow not later than in the first half of 1983.

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